

## **PUBLIC DISCLOSURE**

**March 7, 2011**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**LCA Bank Corporation  
Certificate Number: 58148**

**1375 Deer Valley Drive, Suite 218  
Park City, Utah 84060**

**Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of the LCA Bank Corporation (**LCA**), **Park City, Utah** prepared by the **Federal Deposit Insurance Corporation (FDIC)**, the institution's supervisory agency, as of **March 7, 2011**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** LCA is rated Satisfactory.

LCA's CRA performance is considered satisfactory based on the community development (CD) test for wholesale banks. The FDIC assesses a wholesale bank's record of helping to meet the credit needs of its assessment area (AA) under the CD test through its lending, services, and qualified investments. LCA has been actively involved with organizations that directly support low-income housing, and LMI individuals within its AA and broader geographic region. The following factors summarize the institution's activity:

- LCA extended 10 CD loans totaling \$116,704 which is equal to 0.2 percent of total assets.
- Qualified investments over the review period equaled \$638,275 which is equal to 1.1 percent of total assets.
- LCA provided 353 CD service hours over the review period.

LCA provided an adequate level of CD loans, investments, and services over the review period given its size and capabilities. LCA rarely used innovative or complex CD investments, loans or services; however, it demonstrated excellent responsiveness to CD needs identified by community contacts, particularly low-income housing needs.

No CRA-related complaints have been received since the previous CRA Performance Evaluation. In addition, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## **SCOPE OF EXAMINATION**

LCA's CRA Performance Evaluation was completed utilizing wholesale and limited purpose institution examination procedures. Wholesale and limited purpose institution evaluation procedures utilize the CD test to evaluate an institution's CRA performance and rating. The CD test evaluates an institution's performance related to lending, qualified investments, and services using the following three factors:

- 1) The number and amount of CD loans, services, and qualified investments;
- 2) The use of innovative or complex qualified investments, and the extent to which the investments are not routinely provided by private investors, CD loans and services, and
- 3) The bank's responsiveness to credit and CD needs.

The scope of this evaluation encompasses the bank's performance under the CD test since the prior evaluation, dated January 7, 2008. All CD loan, investment, and service activities from January 7, 2008, through March 7, 2011, were analyzed. The performance evaluation centers on LCA's CD activities within its designated AA.

## DESCRIPTION OF INSTITUTION

LCA is a state-chartered industrial bank that opened for business on January 26, 2006, and is a wholly-owned subsidiary of Lease Corporation of America, Troy, Michigan. The bank operates out of a single location in Park City, Utah, employs three individuals on-site, and seven dual employees located at the parent company location in Michigan. LCA's primary business is providing financing for small equipment leases (typically \$20,000 or less) to small businesses on a nationwide basis. As of December 31, 2010, the bank reported total assets of \$59 million and total deposits of \$50 million. Leases represent 98.5 percent of the bank's credit portfolio. The remainder of the bank's credit portfolio is primarily comprised of commercial and industrial loans. Table 1 depicts the composition of the bank's loan portfolio as of December 31, 2010.

<b>Table 1 - Loan Portfolio Distribution as of December 31, 2010</b>		
<b>Loan Type</b>	<b>Dollar Volume (000)</b>	<b>Percentage of Total Loans</b>
Construction and Land Development	0	0.0
Secured by Farmland	0	0.0
Revolving Open-end 1 to 4 Family Residential	0	0.0
Closed-end 1 to 4 Family Residential First Lien	0	0.0
Closed-end 1 to 4 Family Residential Junior Lien	0	0.0
Multi-family Residential	84	0.1
Commercial Real Estate	0	0.0
<b>Total Real Estate Secured</b>	<b>84</b>	<b>0.2</b>
Loans to Finance Agricultural Production	0	0.0
Commercial and Industrial Loans	748	1.3
Consumer Credit Cards	0	0.0
Other Consumer Revolving Loans	0	0.0
Closed-end Consumer Loans	0	0.0
Obligations of States and Political Subdivisions	0	0.0
Other Loans	0	0.0
Lease Financing Receivables	55,341	98.5
Less: Any Unearned Income on Loans	(0)	(0.0)
<b>Total Loans</b>	<b>56,173</b>	<b>100.0</b>
<i>Source: December 31, 2010, Consolidated Report of Condition</i>		

The bank was rated "Satisfactory" at the previous January 7, 2008, CRA Performance Evaluation. LCA's CRA performance indicated that the bank adequately provided for the needs of its AA and a wider regional area in a manner consistent with its product lines, resources, and capabilities.

No legal impediments exist that would prevent the institution from helping to meet the credit needs of its AA.

## DESCRIPTION OF ASSESSMENT AREA

While LCA extends small business leases on a national basis with little direct lending in Utah, the bank has designated Summit County, Utah as its AA, which is the location of its only office. Summit County is part of the Salt Lake City Metropolitan Statistical Area (MSA) #41620, and is home to its primary city, Park City. Park City is a world renowned ski area with its three world-class ski and summer resorts of Park City Mountain Resort, Deer Valley, and The Canyons. The city also hosted many ski and bobsled events during the 2002 Winter Olympics. Park City is located about 36 miles east of Salt Lake City. The majority of the population of Summit County resides in Park City and the surrounding unincorporated area. The AA contains whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude any LMI areas.

### Demographic Data

The bank's designated AA, Summit County, is composed of 5 census tracts (CTs). Table 2 details the demographic characteristics of the bank's AA.

Table 2 – Demographic Information for the AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
CTs	5	0.0	0.0	40.0	60.0	0.0
Population by Geography	29,736	0.0	0.0	30.5	69.5	0.0
Owner-Occupied Housing Units by CT Income Level	7,803	0.0	0.0	30.8	69.2	0.0
Businesses by CT Income Level	5,857	0.0	0.0	18.0	82.0	0.0
Families by Income Level	7,607	10.6	14.8	18.5	56.1	0.0
Families by CT Income Level	1,935	0.0	0.0	46.2	53.8	0.0
Median Family Income (MFI) Housing and Urban Development (HUD) Adjusted MFI for 2010 Households Below Poverty Level		\$54,586 \$67,800 5.0%	Median Housing Value	\$296,703		
Source: 2000 U.S. Census Data, Summit County, Utah; 2010 D&B Data						

### Economic Conditions

Summit County is the bank's designated AA; however, due to its small, affluent population, the bank also incorporates Salt Lake County and a wider regional area when providing CD activities for CRA. According to the Utah Department of Workforce Services, traditional major industries within the Salt Lake City MSA include education/healthcare, transportation, and state and local

government. Some of the largest employers include Intermountain Health Care, Inc., the University of Utah, and Delta Airlines.

The economic well-being of Summit County is closely tied to the county's three ski resort areas. The resorts are among the largest employers in the county and provide jobs in areas of service, hospitality, and tourism. In addition to the world class skiing resorts located in the area, Park City also hosts the Sundance Film Festival each year during the month of January.

Additionally, the Utah Department of Workforce Services indicates that the 2008 economic downturn had a substantial impact on the Summit County labor market in 2009. Employment declined 8.4 percent in 2009 compared to 2008, with a loss of 1,913 jobs. The largest decline was in the construction industry which shed over 30.8 percent of its workforce in the area. Other industries that suffered job losses included accommodation and food services.

The annual unemployment rate for Summit County continues to remain high at 7.9 percent in November 2010. It remains higher than the overall State of Utah unemployment rate of 7.5 percent and lower than the national average rate of 9.8 percent. The decline in housing prices was more severe than expected and the overall Salt Lake City MSA has seen a weak recovery for technology products and services. These factors have ultimately contributed to the increase in unemployment within Summit County and the overall State of Utah.

### **Community Contacts**

Examiners used one existing and conducted one new community contact to discuss the current economic environment and the future outlook within Summit County and the overall Salt Lake City MSA. One contact was an affordable housing agency that provides affordable housing opportunities to individuals and families in the Salt Lake City MSA which includes Summit County. The other contact was an agency that specializes in small business start-up loans. The affordable housing contact indicated that current economic conditions have caused some low-income people in the community to move back in with their families due to the inability to afford the rent or due to lost jobs. This contact indicated that innovative and green house affordable housing has been recently instituted. The contact believes that the time frame for economic stabilization within Summit County will occur within the next two years. Additionally, this contact indicated that local lending institutions have provided tremendous support for affordable housing within Summit County.

The small business community contact noted a significant number of businesses closing due to deteriorating economic conditions in the local and national economy. The contact also stressed the tightening of credit for small start-up businesses. This contact believes that Salt Lake City and the surrounding areas tend to be very entrepreneurial with a large need for small business loans. Both interviewees thought that the general banking needs of the local area are being met given the current economic climate.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### COMMUNITY DEVELOPMENT LOANS

During the review period, LCA originated 10 CD loans totaling \$116,704 equal to 0.2 percent of total assets. All of the loans supported affordable housing. Nine loans were participations through a low-income housing consortium described below. One loan was a direct extension of credit. Table 3 details the CD loans over the review period by year.

Table 3 – Community Development Loans		
Year	Number of CD Loans	Dollar Volume
2008	5	26,716
2009	3	70,003
2010	2	19,985
2011 YTD	0	0
<b>Total</b>	<b>10</b>	<b>\$116,704</b>
<i>Source: Bank Records</i>		

The Utah Community Reinvestment Corporation (UCRC) was created largely by the Utah industrial bank industry and other local financial institutions in order to provide affordable housing funds and resources to Utah's LMI residents. UCRC, as a consortium, has provided debt financing to Utah's housing industry since its organization in 1999. LCA is 1 of approximately 30 financial institutions comprising the UCRC. The amount of individual bank participation in the UCRC loan pool is based on an institution's total average asset size in relation to other participants. The UCRC activities and LCA's participation supports the low-income housing needs identified by community contacts. The low-income housing projects that have been financed by UCRC are primarily multi-family units often supported by low-income housing tax credits. As of year end 2010, the total of all LCA's loan participations amounted to \$84,051. The bank committed up to \$100,000 in loan participations. During the current review period, LCA disbursed \$66,704 to participate in 9 CD loans that funded the development of over 300 affordable housing units.

In 2009, LCA extended a \$50,000 loan to a local housing trust. The trust is a 501(c)(3) nonprofit corporation founded in 1993 in order to create affordable housing in Summit County. The trust develops affordable homes and apartment units. Since 2009, the trust had 12 homes and a 14 lot subdivision under construction and owned 154 affordable apartment units. The activities of the trust and LCA's loan support the low-income housing needs identified by community contacts. The purpose of the unsecured loan was to support the trust's programs including its application to become a CD financial institution with the U.S. Treasury Department.

LCA's participation in the UCRC, and the direct loan to the housing trust, are very responsive to

CD needs and are considered somewhat complex. The level of CD loans has increased from \$40,000 at the previous evaluation.

## COMMUNITY DEVELOPMENT INVESTMENTS

Qualified investments over the review period equaled \$638,275, which is equal to 1.1 percent of total assets. Qualified investments totaled \$605,000, while qualified donations totaled \$33,275. Table 4 details the qualified CD investments over the review period by year and Table 5 details the CD donations.

<b>Table 4 – Community Development Investments</b>		
<b>Year</b>	<b>Number of CD Investments</b>	<b>Dollar Volume</b>
2008	1	305,000
2009	0	0
2010	1	100,000
2011 YTD	2	200,000
<b>Total</b>	<b>4</b>	<b>\$605,000</b>
<i>Source: Bank Records</i>		

<b>Table 5 – Community Development Donations</b>		
<b>Year</b>	<b>Number of CD Donations</b>	<b>Dollar Volume</b>
2008	3	6,775
2009	3	11,500
2010	4	15,000
2011 YTD	0	0
<b>Total</b>	<b>10</b>	<b>\$33,275</b>
<i>Source: Bank Records</i>		

All of the qualified investments are Utah Housing Corporation (UHC) single family mortgage bonds which support affordable housing throughout the state. The bonds are responsive to low-income housing needs identified by community contacts. UHC provides mortgage money to qualifying first time homebuyers as well as resources to developers building or renovating affordable apartment projects. The bonds are secured by mortgages extended to LMI borrowers under the UHC programs to fund the UHC operations.

The qualified donations benefitted seven organizations operating in Summit County. One organization received \$16,275 and provides financial education to students at a Title 1 school in Summit County. All of LCA's donations supported the provision of services to LMI families with the exception of a \$5,000 donation supporting a low-income housing project in Summit County. The level of donations has increased substantially from a total of \$12,250 in donations at the previous evaluation.

## **COMMUNITY DEVELOPMENT SERVICES**

LCA has limited capacity to provide CD services given that the bank operates with only three full-time employees within Summit County. Over the review period, bank employees and Directors provided 353 CD service hours. Table 6 details the CD service hours by year.

<b>Table 6 – Community Development Services</b>		
<b>Year</b>	<b>Number of CD service hours</b>	<b>Number of entities that benefitted</b>
2008	44	3
2009	86	6
2010	223	6
2011 YTD	0	0
<b>Total</b>	<b>353</b>	<b>15</b>
<i>Source: Bank Records</i>		

A total of eight non-profit entities benefitted from the services. A total of 23 hours benefitted a women's shelter and 21 hours benefitted a non-profit housing trust. All of the remaining hours benefitted non-profit organizations that provide services to LMI families. Service hours increased in 2010, due to a 100-hour project that was undertaken in conjunction with a local municipality and non-profit organizations to provide food for low-income families in Summit County. A total of 181 entities benefitted that focus solely on Summit County. The largest beneficiary, at 161 hours, provides services to LMI families in the Salt Lake City area including Summit County.

The level of CD service hours has increased substantially since the previous evaluation. LCA provided 48 CD service hours at the previous evaluation compared with 353 over the current 3 year review period.

## **OTHER ACTIVITIES**

LCA also conducted CD activities outside of its AA. LCA provided 18 CD service hours in the State of Michigan and originated 1,255, or \$26.1 million, in commercial leases in LMI geographies throughout the United States. LCA's other remaining CD activities were considered; however, they did not affect the overall rating of the institution.

## **RESPONSE TO COMPLAINTS**

LCA has not received any consumer complaints relating to its CRA performance since beginning operations in 2006.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## GLOSSARY

**Census Tract:** A small, relatively permanent statistical subdivision of a county or statistically equivalent entity delineated for data presentation purposes by a local group of census data users or the geographic staff of a regional census center in accordance with U.S. Census Bureau guidelines. Designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time they are established, CTs generally contain between 1,000 and 8,000 people, with an optimum size of 4,000 people. CT boundaries are delineated with the intention of being stable over many decades, so they generally follow relatively permanent visible features. However, they may follow governmental unit boundaries and other invisible features in some instances; the boundary of a state or county (or statistically equivalent entity) is always a CT boundary. When data are provided for American Indian entities, the boundary of a federally recognized American Indian reservation and off-reservation trust land is always the boundary of a tribal CT.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male household and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Geography:** A CT as delineated by the United States Bureau of the Census in the most recent decennial census.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Small Loan(s) to Business (es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of geography.